



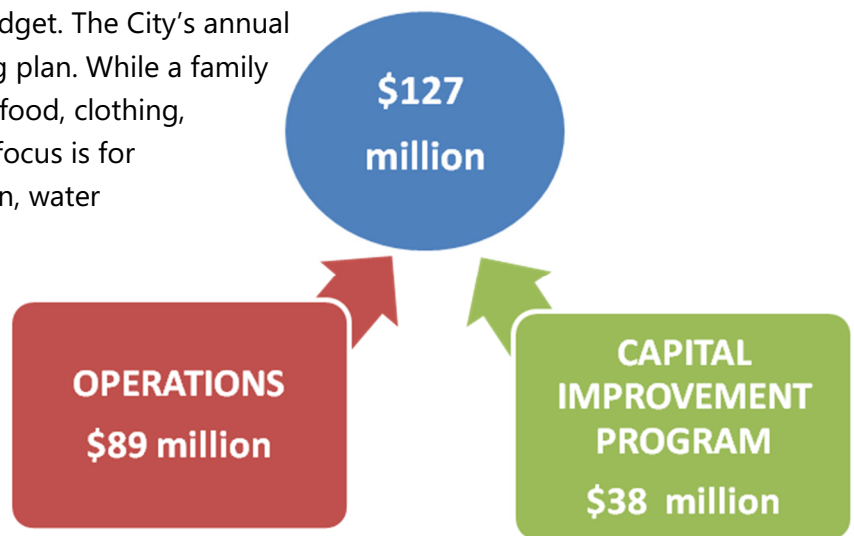
Budget in Brief

Fiscal Year 2015-2016



FY 2015-2016 Budget in Brief

The City of Morgan Hill's Budget in Brief is intended to provide you with information about your City's Budget. The City's annual budget is much like a household spending plan. While a family might plan for such expenses as housing, food, clothing, transportation, or medical bills, the City's focus is for police and fire protection, parks, recreation, water and sewer systems, housing, economic development, roads, building maintenance, and much more. In total, the Council approved FY 2015-16 (July 1–June 30) budget is **\$127.2 million**.



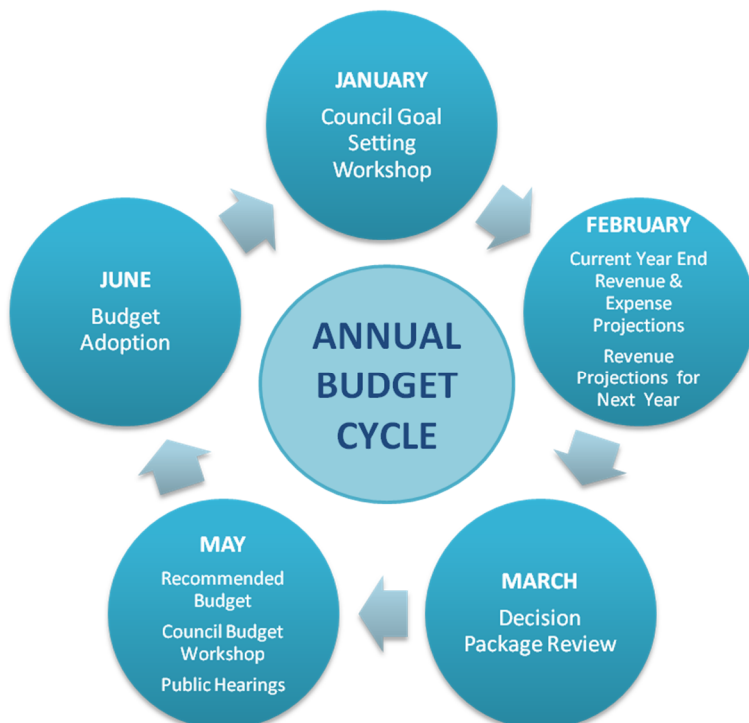
Annual Budget Cycle

The process begins in January each year when the City Council conducts a two-day workshop to set its priorities, goals, and strategies for the organization and community. City teammates then prepare the budget to advance these priorities.

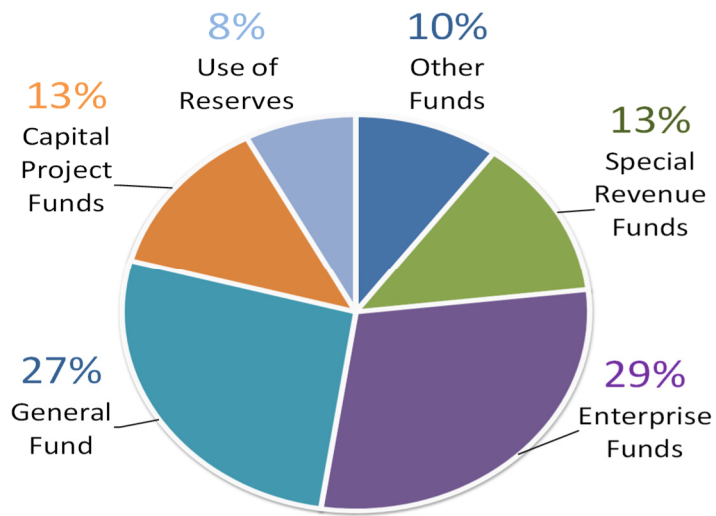
In February and March, Departments project their year-end spending for the current year, identify major revenue changes for the next year, and then prepare proposed enhancements, otherwise known as "decision packages", based on the Council's priorities. The decision packages are categorized as ongoing (i.e. personnel) or one-time (i.e. facility improvements) and evaluated to determine which will best meet the community's needs within the City's financial resources.

During the months of May and June, the City Council reviews the proposed budget during an all day workshop and formal public hearing. Public requests and concerns are addressed at this time and any Council initiated recommendations are incorporated into the final budget document.

The finished product is then adopted by the Council and is designed to make the best, most efficient use of the money entrusted to the City by the Morgan Hill community.



Where Does Your City's Money Come From?



Income for the City is generated from taxes, building permit fees, business licenses, recreation memberships, sewer and water sales, and more. The revenue is deposited into different funds, similar to bank accounts. Unlike personal bank accounts where funds can be transferred from one to another, the City has to comply with strict laws that require money be maintained in separate funds and spent for specific purposes (for example, the City may not raise water rates to pay for police services). Revenue that is not reserved for a specific purpose, like taxes, is directed into the General Fund, which pays for the general operations of the City.

GENERAL FUND

Most of the general fund money comes from the following primary sources: property tax, sales tax, and recreation programs. Other sources of general fund money include hotel tax and business license fees. Since many of these revenues are sensitive to economic conditions, the City's economic development efforts are focused on increasing jobs and expanding the tax base.

General Fund Revenue Sources \$33.7 million

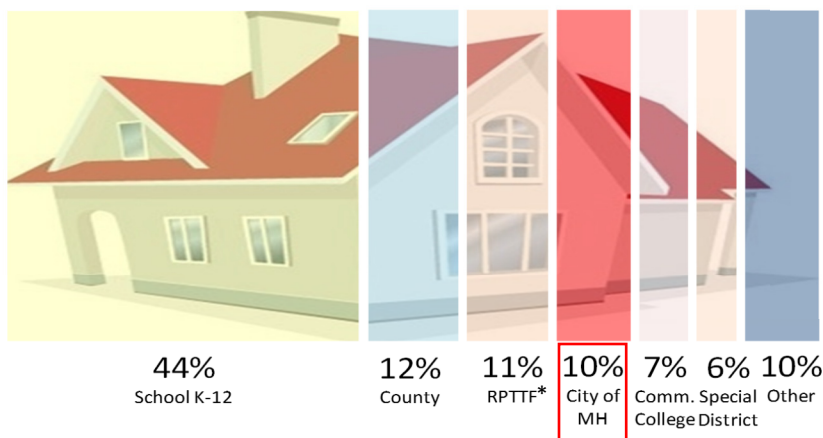


Where Does Your City's Money Come From?

PROPERTY TAX

Property tax is a tax on real property and tangible personal property based on the property value. The State Constitution limits the real property tax rate to 1% of the property's assessed value plus rates imposed to fund indebtedness approved by the voters. A majority of property taxes support local schools. Morgan Hill's share of the 1% is equivalent to 10 cents for every \$1.00 collected from property taxes. In FY 15-16, property tax is projected at \$9.4 million or 28% of the total General Fund revenues.

Morgan Hill Property Tax 1% Distribution

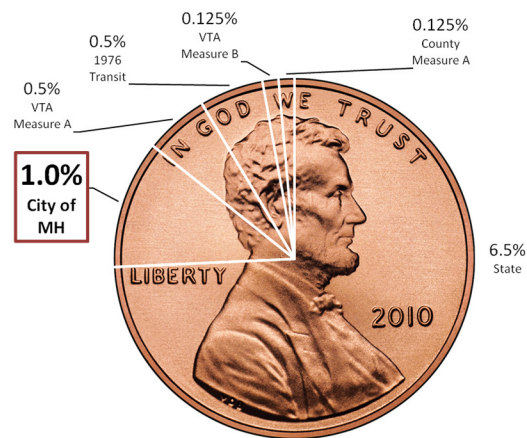


*RPTTF = Redevelopment Property Tax Trust Fund

SALES TAX

Sales tax is imposed on retailers for selling tangible personal property in California. The sales and use tax rate for Santa Clara County is 8.75% of which Morgan Hill's share is 1%. Revenues from sales tax are expected to reach \$9.1 million in this coming fiscal year or 27% of the total General Fund revenue projected. It is the second largest revenue source for the City's general fund.

Allocation of Sales Tax Rate
(Current Sales Tax Rate 8.75%)



SPECIAL REVENUE FUNDS

The City also receives money from a variety of other sources, which can only be used for specific purpose or project. These sources include the collection of developer fees, gasoline taxes, Community Development Block Grant monies, and more. Money collected from development fees are restricted to costs associated with processing building, engineering and planning applications. Gasoline taxes must be used to pay for road improvements and repairs, and cannot be used on general city services. In FY 15-16, special revenue funds are projected at \$16.5 million.

Where Does Your City's Money Come From?

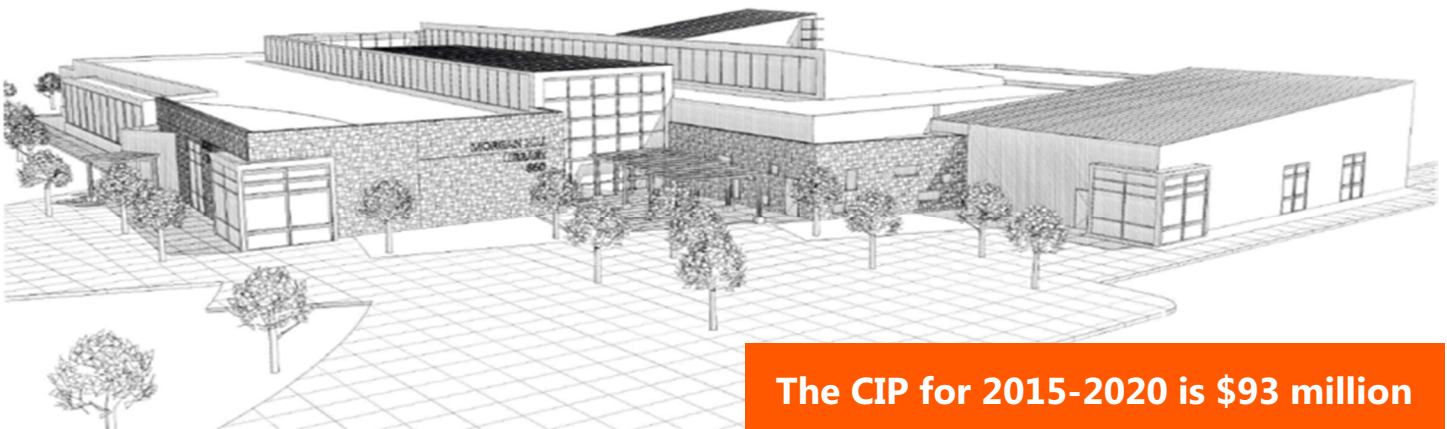
WATER AND SEWER FUNDS

Water and Sewer are both Enterprise Funds and account for operations that are financed and function like a private business. Separate funds are established for specific purposes and the cost to provide the service to the public is paid with revenues generated by the same fund. For instance, money collected from customers for their water consumption goes to purchase the water from the Water District and towards the maintenance of the infrastructure that delivers the water to your home.



CAPITAL PROJECT FUNDS

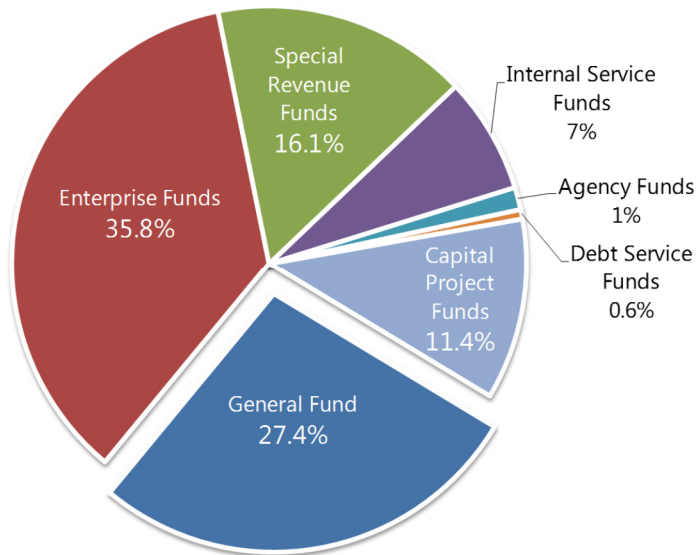
Morgan Hill has a wide variety of funding sources for CIP projects; some steady and predictable, while others are dependent on outside agencies. New development in Morgan Hill, be it residential or commercial, is required to pay impact fees to the City, which goes towards infrastructure that will be needed as the City grows. Impact fees pay for the impact the new development's presence will have on the City. New development pays the following impact fees; streets, water, sewer, drainage, police, fire, parks, library, and public facilities. These impact fees can only be used to build infrastructure and facilities and cannot be used for ongoing maintenance or operations. Other CIP funding sources include grant monies and bond proceeds.



The CIP for 2015-2020 is \$93 million

Where Does the Money Go?

The FY 2015-16 citywide expenditure budget amounts to **\$127.2** million. As depicted in the pie chart below, the **majority** of the expenditures support the City Utilities, which deliver water to residents and businesses and treats the wastewater.



The **second** largest expense is attributable to the General Fund (\$34.5 million), which primarily funds police, fire, parks and street maintenance, economic development, recreation and community services, all of which contribute to the quality of life of our community as well as internal support functions such as finance, human resources, City Clerk, and legal services.

The **third** largest expense is for special revenue funds which include the costs associated with processing building, engineering and planning applications, affordable housing efforts, environmental programs, general plan updates, and

The City Council has discretion on how to spend \$23.1 million of the \$34.5 million in General Fund revenues. In contrast, non-discretionary funds are funds that are collected and can only be used for that exact purpose, such as Centennial Recreation Center/Aquatics Center membership.

General Fund Discretionary Expenses \$23.1 million



For More Information:

The City of Morgan Hill's Adopted Operating and Capital Improvement Program Budget document can be found on the City's website at <http://www.morganhill.ca.gov/463/Budget>

The entire budget document is also available at City Hall and the Morgan Hill Public Library. For more information about the City of Morgan Hill Budget, please contact the Budget Manager at Monica.Delgado@morganhill.ca.gov